

HOUSE BILL REPORT

SSB 5551

As Reported by House Committee On:

Commerce & Labor

Appropriations

Title: An act relating to studying the minimum wage in Washington state.

Brief Description: Studying the minimum wage.

Sponsors: Senate Committee on Labor, Commerce, Research & Development (originally sponsored by Senators Hargrove, Hewitt, Schoesler, Mulliken, Parlette and Oke).

Brief History:

Committee Activity:

Commerce & Labor: 3/21/05, 4/1/05 [DPA];

Appropriations: 4/2/05 [DPA(CL)].

Brief Summary of Substitute Bill (As Amended by House Committee)

- Requires the Washington State Institute of Public Policy to study issues impacted by the minimum wage and its annual increases, and to report its findings to the Legislature by December 1, 2005.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Hudgins and McCoy.

Staff: Jill Reinmuth (786-7134).

Background:

Employers covered under the federal Fair Labor Standards Act are required to pay their employees no less than the federal minimum wage rate. The federal minimum wage rate is currently \$5.15 per hour.

Employers covered under the state Minimum Wage Act are required to pay their employees no less than the state minimum wage rate. Pursuant to Initiative 688, the Department of Labor and Industries adjusts the state minimum wage rate for inflation each year. The state minimum wage rate is currently \$7.35 per hour.

Summary of Amended Bill:

The Washington State Institute of Public Policy (Institute), in consultation with the Employment Security Department, must conduct a study to address the issues impacted by the minimum wage and its annual increases. The Institute must collect information for the study from both the public and the private sectors. The Institute must report its findings to the Legislature by December 1, 2005.

The study should address:

- the impact of the minimum wage on job creation and job loss;
- the role of the minimum wage on the purchasing power of low-income workers, as well as the effect of the minimum wage on the poverty rates of low-income workers;
- the extent to which the minimum wage has improved the standard of living for low-wage workers;
- wage compression or expansion for certain low-wage workers;
- wage compression resulting from minimum wage increases;
- demographic analysis of persons earning \$8.35 per hour or less;
- the extent to which the minimum wage is paid in various industries and occupations;
- economic activity and wage progression in industries with large numbers of low-wage workers;
- the correlation, if any, between changes in the state minimum wage and the state unemployment rate;
- a summary of actions taken by other states regarding their minimum wage laws; and
- the impact of a minimum tipped wage.

Amended Bill Compared to Substitute Bill:

The legislative findings are modified to specify that it is in the state's best interests to examine the impact that changes in the minimum wage rate have had.

The following elements are added to the study: (1) The extent to which the minimum wage has improved the standard of living for low-wage workers; and (2) wage compression or expansion for certain low-wage workers.

The following elements are omitted from the study: (1) The differences in economic activity attributed to minimum wage increases; and (2) the impact of the minimum wage on state unemployment.

Appropriation: None.

Fiscal Note: Available for Senate Bill 5551.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: With respect to the minimum wage rate, there are concerns about wage escalators and wage compression. This study is intended to be balanced. We know that manufacturing jobs have left the country. Unless we examine the minimum wage, we could see offshoring of service jobs.

The restaurant industry operates at some of the lowest margins in the country. The automatic escalator results in the employees in the front of the house being higher paid than the employees in the back of the house. It creates strife between employees. We now have one-half fewer employees per restaurant than we used to.

Over 40 percent of small businesses are directly impacted by the indexed minimum wage rate. There are reductions in hours and other impacts.

This bill is an opportunity to take a good look at the impacts of the indexed minimum wage rate on the state economy.

Testimony Against: None.

Persons Testifying: Senator Hargrove, prime sponsor; Denny Eliason, Washington Restaurant Association; Mark Johnson, Washington Retail Association; and Carolyn Logue, National Federation of Independent Business.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Commerce & Labor. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

Staff: Brian Enslow (786-7143).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Labor:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: It is useful to study the impacts of the indexed minimum wage rate on the state economy, and are looking forward to working with the agencies as they work to complete the study.

Testimony Against: None.

Persons Testifying: Tom McBride, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.